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Market Situation Update- Mexican Market for Craft Beer

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Beverages

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Report Highlights:

Since 2007, the Mexican market for craft beer has been steadily growing, and at present, country-wide demand for craft beer is the highest it has been. The desire for trying new craft beers, especially U.S. brands, has been consistent and very high in each metropolitan region of Mexico, despite its low overall volume. Only a few U.S. varieties are sold in smaller retail venues representing on average less than 10 percent of all beer labels offered. Generally, most beer consumers are still only familiar with the largest foreign beer companies, (Budweiser, Miller, and Heineken to name a few). After investigation into this market segment, we believe a very favorable climate exists for increased U.S. craft beer exports and investments. The following information from the USDA-FAS Agricultural Trade Offices expands upon the market.

General Information:

Throughout Mexico, the majority of the craft beer sold and consumed comes from European imports, in particular brands from England, Germany, and Belgium. Mexican craft beers are gaining in popularity in certain regions, and can also be found in most venues where other craft brands are sold. However, sales of Mexican craft beer lag behind those of European labels, due to brand recognition, market exposure, and the limited number of Mexican craft breweries and their operational production capacity. Even less represented are U.S. brands, which continue to be difficult to find. Only a few U.S. varieties are sold in each venue representing on average less than 10 percent of all beer labels offered. Oftentimes, the Mexican company will carry a U.S. product based on customer demands and personal awareness to the product. All persons engaged in this sector whom were interviewed have familiarity with the larger craft beer brands of the United States, and are constantly looking to import and carry new varieties.

Structure

Currently, one of the more popular venues for craft beer sales is through small, specialty stores. Spread throughout all of Mexico in more populated cities, these businesses carry a wide selection of craft beers from around the world (see Table 1.), including a varied selection of Mexican craft labels. Some businesses are strictly for retail distribution (similar to U.S. liquor stores), while some companies include dining options and a bar for patrons to sample and enjoy their selections. These venues often carry draft Mexican beer for their customers. A typical craft beer store (*El Deposito, Beer Bank, The Beer Company, etc.*) carries a wide array of products including, but not limited to the following labels:

Table 1. List of Typical Craft Beers Present in Specialty Stores (Mexican Craft is primarily from two companies, Primus and Minerva)

Europe/International Craft	Mexican Craft	U.S. Craft
St. Peter's Cream Stout	Red Pig	Dogfish Head
Well's Bombardier	Minerva Viena	Samuel Adams Boston Lager
Duvel	Cucapá Clasica	Rogue Porter
Sapporo	Tijuana Morena	Miller High Life
Hobgoblin Ale	Cerveza Mexicali	Sierra Nevada
Stella Artois	Tempus Reserva	Shiner Bock
Quilmes	Calavera Mexican Imperial Stout	
Guinness	Día de los Muertos Ale	
Pilsner Urquell		
Grolsch		
Hofbräu Hefe Weizen		

Additionally, many craft beers can be found in most of the major supermarkets in Mexico, especially in fashionable supermarkets designed for more affluent consumers. These stores (Superama, City Market, Liverpool, etc.) offer a sizeable selection of international craft beer to complement their wide grocery selections not normally found in typical Mexican stores and markets. These companies have contracts with various craft beer distributors, and their potential in increasing volume and a growing customer base offers an enormous opportunity for U.S. craft beer exports.

Consumer Trends

All of the smaller specialty stores are strategically located in the trendier and more culturally adept sections of

the cities in Mexico, where the vast majority of customers are younger, middle-class, Mexican professionals with a varying degree of purchasing power. These people often have educational and international culture exposure, frequently as foreign travelers, and look for other beer options than the typical limited selections produced by the large Mexican corporations, Corona/Modelo and Cuauhtemoc/Indio. Additionally, a smaller, yet significant segment of craft beer consumers are tourists from Europe and the United States, both in Mexico City and in tourist regions such as Cancun or Queretaro. Most craft beer consumers are familiar with many of the brands offered, but are also looking for new labels to try. As a growing segment of the Mexican population, the young middle-class will be the most dominant and important target population for U.S. craft beer.



Figure 1. Beer selection in Mexico City store

Source: FAS ATO-Mexico City 2013



Figure 2. Selection of European beers in craft beer store in Playa del Carmen

Source: [International House, 2012](#)



Figure 3. Selection of craft beers in at specialty store in Tampico

Source: SkyscraperCity, 2012



Figure 4. Mixed Selection at a Store in León

Source: The Beer Company, 2013

Patrons in restaurants, hotels, and bars also represent a large segment of purchases of craft beer. Many of the specialty stores are engaged with the institutional sector as part of their clientele, forming contracts and sometimes providing product deliveries. Purchases from the institutional sector vary; one distributor, for example, cited 30 percent of their sales go to this market segment, while some specialty stores do not have any contracts as such. Additionally, many smaller distributors see a great potential in building formal relationships with this sector and increasing market exposure. These companies have contracts with various craft beer distributors, and their potential in increasing volume and a growing customer base offers an enormous opportunity for U.S. craft beer exports. Yet, there are still significant amount of companies that sell beer, wine, and spirits, but not necessarily craft beer, and some stores vary their products based on demographics and geographical regions (Oxxo, Seven-Eleven, Sumesa etc.).

Sales

Each company interviewed conveyed their successes in operations thus far; all the specialty stores expressed

interest or plans to expand their operations and reach within the country. There have been few problems with selling most of the brands, although a few businesses explained that some of the labels do not sell as quickly as others. However, all the businesses stated that refrigerated trucks and pasteurized beer, despite extending the shelf life of the product by 3-4 weeks, would not be necessary, because of high and rapid sales of the product. Varieties of craft beer most often consumed and in large demand in Mexico include some of the following (in no particular order):

- **Lager**
- **Stout**
- **Heavy Ale (especially European)**
- **Porter**
- **Hefe-weizen**
- **Pale Ale**

Some beers such as India Pale Ales, bitters, pilsners, and ciders are also provided to a varying degree, although not as popular and are slow to gain recognition. IPA and ciders are slower than other alternatives in gaining market traction, as consumer palates and desires are slowly evolving to appreciate such labels. Non-alcoholic beer is sold in very limited quantities and is not offered in many venues. All of the beer companies and distributors interviewed would like to carry more seasonal varieties (winter ales, pumpkin beer, etc.) as long as there is enough volume to justify purchasing the product to meet the perceived demand. Additionally, all are willing to add new labels from new beer companies, so long as the history and size of the craft beer company is known. Craft beer in aluminum cans is very limited, as bottled beers of 12 ounces, 330 ml, and 500 ml are most often sold.

Regarding gross sales, all the companies cited positive results and profitability, with varied sales depending on the locality and geographical region of the country. One craft beer store that opened in August 2013 stated that each customer on average will spend 500 pesos (approx. \$38.50 USD) per visit, either through the bar/restaurant or carry-out formats. Additionally, another smaller store located in a fashionable district popular for younger people in Mexico City claimed its gross sales reached 800,000 pesos (**\$61,656 USD**) in one month. These sales include contracts between supermarkets, hotels, bars, and restaurants, as well the general store purchases by consumers. Yet, direct purchases by consumers remain the fastest growing market segment. Such establishments that carry less than half of the variety of typical U.S. beer and liquor stores have shown strong sales and financial success. In fact, all the specialty beer stores interviewed carry little to none of the corporate brands such as Corona/Modelo, Budweiser, or Cuauhtémoc/Indio.

Distribution

Many companies contract trucking firms that cross the border to deliver beer to various distribution points, which in turn are trucked to an assortment of venues throughout the country. Some companies have their own delivery trucks and fleets, which make shipments to various hotel, bar, and restaurant clientele. Some specialty store owners also expressed interest in expanding their distribution chains and support partnering with other beer companies/specialty stores to provide shipments to other interested parties in the institutional sector. Most companies involved in craft beer importation prefer to work directly with the U.S. craft breweries, to form direct partnerships and avoid multiple brokers. Some have worried about border regulation and the perceived amount of paperwork necessary to ship beer across the border. Additionally, many U.S. craft beers are found in venues where there is no direct contract with the company. A form of gray trading exists, where vehicles from

the United States cross the border into Mexico with multiple cases of craft beer purchased from American outlets for their restaurant or business—unauthorized by the breweries. All the Mexican specialty beer stores interviewed cited their disinclination to employ such methods of distribution, preferring direct partnerships between breweries and/or U.S. distributors.

Size of Purchases

Many of the beers imported from Europe are sent via shipping containers, which takes 30-40 days to reach Mexico following port departure. One distributor stated 3 to 4 containers arrive in Mexico every month from Europe (usually England), utilizing full containers which can lower shipping costs. Beer is stacked without the use of pallets to improve capacity and reduce loss. Regarding quantity, many companies are looking for sufficient and continuous shipments of U.S. craft beer to be sent to distributors. One company stated their average shipments of U.S. crafts were 250 cases every two months, but a strong desire to increase distribution if there are increases in availability. Another company cited 70 cases purchased and distributed every month, with similar aspirations to increase purchases.

Labeling Requirements

A good strategy for a U.S. craft brewery is to identify distributors that exist throughout the country. Subject to Mexican law, all imported products destined for retail sale must be labeled according to Mexican government specifications outlined in NOM-142-SSA1-1995 *Etiquetado en Bebidas Alcoholicas* (Please see Figure 2. for an example of a typical label of a U.S. imported beer). U.S. suppliers and/or breweries are encouraged to provide a label before the product crosses the border to speed up the process and time of delivery.

General requirements and mandatory taxes applied to U.S.-origin Imported beer in Mexico (per shipment to apply to U.S. breweries/distributors) 0.008% customs processing fee

- 16% IVA, Value Added Tax
- 161 pesos (approximately USD \$12.40) electronic data pre-validation
- IEPS, Special Tax on Products and Services. This tax is levied according to the alcohol content of the product (Mexico measures in ABV-Gay Lussac) :
- With alcohol content up to 14 degrees Gay Lussac, IEPS= 25%
- With alcohol content from 14-20 degrees Gay Lussac, IEPS= 30%
- With alcohol content above 20 degrees Gay Lussac, IEPS= 50%

An important Mexican import document required is the “Pedimento de Importación” (customs entry document), which must be presented to Mexican Customs along with the commercial invoice (in Spanish) as well as a bill of lading. Products qualifying as “North American” must be accompanied by the NAFTA certificate of origin to receive preferential treatment. This certificate is issued by the exporter and does not have to be validated or formalized.

Mexican Customs law is very strict regarding proper submission and preparation of documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband. Exporters are advised to employ competent, reputable Mexican importers or custom brokers.

Keg Beer

The majority of the businesses interviewed considered keg beer a risky venture, but are open to such import purchases if the logistics are favorable. Currently, transport costs are high without the infrastructure established for empty kegs to be returned to the United States. Length of time for shipping, including security of having the physical kegs available for return are of greatest concern. Almost all the businesses suggested that disposable

kegs (Polyethylene Terephthalate or PET Kegs) could be a worthwhile program, a low waste, cheap investment option that eliminates return shipping. One business considered disposable kegs an inferior product that creates too much foam when tapped. However, most agreed they would be willing to try them, given the demand for draft beer by consumers. Presently 30-liter sized kegs are utilized by Mexican companies such as Corona and Cuauhtémoc, as well as smaller brewers such as Minerva. Pedernales, a U.S. craft brewery, is the only company to provide keg beer to outlets in Monterrey.

Programming and Events

All of the craft beer stores and distributors expressed interest in trade shows and trade missions, believing that such venues would be most beneficial in building relationships with many interested U.S. craft breweries. Trade shows, like Expo-Cerveza (Mexico City-September 2013) continue to grow every year with a greater attendance of both buyers and craft breweries (Please see GAIN report [MX3315 Expo-Cerveza 2013](#)). Additionally, U.S. breweries interested in learning more about the current market situation of craft beer should consider a trade mission, which brings businesses and brewers to Mexico to visit a wide array of distributors, specialty stores, and supermarkets throughout the country. As the current atmosphere is very favorable for U.S. craft beer exports, companies should take advantage of the opportunities and growing demand for a very popular U.S. product. ATO-Mexico encourages U.S. craft companies to consider these events as a good way for brand exposure and potentially form partnerships and contracts.

Conclusion

With the rapid expansion of craft beer stores and distribution points, together with the high demand by Mexican consumers, the opportunities for U.S. craft beer growth into this market is very favorable. Additionally, investment by U.S. craft breweries, coupled with geographical considerations, could be beneficial and profitable. Given this expansion, market saturation of U.S. beer imports in Mexico could occur in the next 5-10 years, so breweries are encouraged to enter the Mexican market sooner rather than later. Companies with structural capacity and interest to export can utilize this information provided.

For More Information

Post Contacts and Further Information

For further information and to learn more about the services provided by the Agricultural Trade Offices (ATO) in Mexico, please contact us at:

Other Relevant Reports Submitted by FAS/Mexico: Report Number	Subject	Date
MX3315	Expo Cerveza Mexico 2013	11/25/2013
MX3305	Changes in the Mexican Domestic Beer Market	07/12/2013
MX3303	Assessment of Mexican Craft Beer Market	06/07/2013

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FAS/Mexico Web Site: <http://www.mexico-usda.com> or visit the FAS headquarters' home page at:
<http://www.fas.usda.gov> for a complete selection of FAS worldwide agricultural reporting.

Table 1. List of Beer Companies, Distributors, and Supermarkets Selling Craft Beer in Mexico

While every effort has been made to provide accurate/updated information, be aware that telephone and e-mail addresses change frequently in Mexico. Also, there may be other qualified companies in Mexico, and their exclusion in this list is unintentional. Neither the USDA nor the Agricultural Trade Office endorses any firm contained herein.

Name of Company	Address and Information	Number of Stores	Number of Labels Sold (Approx)	How is it Sold	Do they also distribute?	Interested in greater U.S. craft beer products?
3B-Beers Distributor	ventas@3bbeers.com.mx Phone: 5768-1544 Calle Medellin y Tabusca; Col. Roma, Mexico City www.3bbeers.com.mx	n/a	25	Distributor established in Mexico—distributes beers from the United Kingdom to supermarkets, restaurants, bars, and other various distributors	Direct Distribution—no cold chain, non-pasteurized beers Utilize own trucks	Yes, open to idea of possibly building relationship with U.S. craft brewers
Beer Box	contacto@thebeerbox.com.mx Phone: 59-16-1556 thebeerbox.com Mexico City	75 throughout Mexico	100	Specialty stores throughout Mexico,	Yes, to a variety of restaurants, bars,	Yes, would like to work directly

The Beer Company					Highest volume sold is European and Mexican craft brands, with some U.S.	and hotels, utilizes their own trucking fleets	with U.S. companies, looking to expand store presence in country.
	info@thebeercompany.com.mx Phone: 55-5975-2383 thebeercompany.com.mx Prolongación Puerto Vallarta 3, Chalco, México.	48 throughout Mexico	350		Specialty stores throughout Mexico, Highest volume sold is European and Mexican craft brands, with some U.S.	Yes, 10% percent of their sales to bars and restaurants	Yes, would like to work directly with U.S. companies, looking to expand store presence in country
	contacto@eldeposito.com.mx Phone: 5207-8152 www.eldeposito.com.mx Alvaro Obregón 21. Col. Roma, Mexico City	7 in two cities	150		Specialty stores throughout in Guadalajara and Mexico City, with plans to expand. European and Mexican craft brands, with some U.S. are carried	No, but interested in the idea of opening up their own distribution chain	Yes, would like to try new beers, if companies are willing to formally present their labels
Beer Bank	queretaro@beerbank.com 442-210-3391 Querétaro	11 throughout Mexico	100		Franchise-small craft stores with some a bar and seating. Occasionally have events and specials for	Unknown (did not respond to request for interview)	Most likely, according to website, based on media campaign

<p>La Belga, Cervezas del Mundo</p> <p>Liverpool</p> <p>HEB</p> <p>Comercial Mexicana/ City Market</p>	customers.					
	contacto@labelga.com.mx Phone: 55-3547-9558 labelga.com.mx Querétaro casi esquina Orizaba Col. Roma Norte C.P. 06700	1 in Mexico City	65	Specialty store selling exclusively beer Majority of beers exported from Europe, some U.S., Mexican brands	Yes, to a variety of restaurants, no cold chain delivery currently exists	Yes, would like to work directly with breweries, avoid high tariffs and customs fees
	Phone: 55-5268-3441 http://www.liverpool.com.mx/shopping/store/shop.jsp Distribuidora Liverpool S.A. de C.V. Mario Pani 200, Col. Santa Fe Delegación Cuajimalpa de Morelos. México D.F. C.P. 05109	All throughout Mexico in larger cities and more affluent districts	Approx. 75	Department store selling beer tailoring to middle to higher income consumers, selling craft beers from Europe (high volume retailer)	Unknown (did not respond to interview request)	Yes, requires list of beers and price points before testing product
	http://www.hebmexico.com/Contacto Miguel Hidalgo #2405, Col. Obisado Monterrey, NL Phone: (81) 8153-1103	33 stores throughout Mexico, located in border cities	Unknown	Grocery store selling high volume beers. U.S. domestic beers, European domestics, and few craft beers located along border states	Unknown	Yes, requires list of beers and price points before testing product
	Phone: 55-5270-9461 Naucalpan de Juarez, Edo. de Mex. CP 53150 http://www.comercialmexicana.com.mx	5-City Market 190+ Comercial Mexicana	Unknown (did not respond to request for	Grocery Stores— <i>City Market</i> tailors to wealthier consumers	No	Yes, requires list of beers and price points before

Wal-Mart/ Superama			interview)	, <i>Comercial Mexicana</i> is similar to stores like Super-Target or Wal-Mart Supercenter that sell a variety of craft and domestic beers	testing product, high volume requirements
	Phone: 2629-6000 x13111 Blvd. Manuel Ávila Camacho 647 Col. Periodista C.P. 11220, México, D.F. http://www.superama.com.mx	Approx. 215 Wal-Mart, 100+ Superama	Unknown (did not respond to request for interview)	Grocery Stores, super-centers. Superama is tailored to wealthier consumers and is located primarily in the larger cities in the more affluent districts and carries both a small variety of domestic and international beers, some craft	No Yes, requires list of beers and price points before testing product, high volume requirements